



Article   MARKET COMMENTARY

## Weekly round-up: 3rd October – 10th October

Darren Ripton recaps the past week's events and looks ahead to the next.

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## The week that was?

### United States: Shutdowns & AI Mania

Let's start with the US, where the government decided to play its reasonably regular game: shutdown roulette. As of October 3rd, the US government entered Day Three of a shutdown, with President Trump reportedly considering slashing "thousands" of federal jobs. The budget talks have stalled, and the jobs report was missing in action, because the people who write it weren't allowed to work.

Artificial Intelligence may no longer be the shiny new toy of Wall Street, but it's quietly becoming the engine behind some of the most exciting breakthroughs in science, medicine, and even archaeology. Over the past week, AI optimism helped fuel a six-day rally in global markets, with investors betting that the technology's long-term impact will far outweigh short-term growing pains.

## **United Kingdom: Sterling Slips, Luxury Cars Skid & Budget Jitters**

The UK had its own economic soap opera. The FTSE 100 took a tumble, dragged down by banking stocks.

The pound also had a rough ride over the week, dipping below \$1.33, its lowest in two months. Gilt yields rose, suggesting investors are nervous about the upcoming budget. Oxford Economics warned that if the government missteps, we could see weaker growth and higher interest rates. So the focus will remain on Chancellor Rachel Reeves in the weeks coming up to the Autumn budget.

On the bright side, the UK labour market showed signs of stabilising. Employers slowed the pace of hiring and starting salaries remained fairly stable, which is bad news for anyone looking for a wage but a positive for inflation.

## **Europe: France's Political Circus & Champagne Tax**

In Europe, France is starring in its own political drama. President Macron's latest prime minister, Sébastien Lecornu, resigned just days after being appointed, citing an inability to wrangle support from a fragmented parliament. Macron now faces three unenviable options: appoint yet another PM, call snap elections (which could empower the far-right), or resign himself. The political gridlock is spooking markets, widening bond spreads, and making investors wonder if France's debt problems will be tackled.

## **Asia: Japan has her own "Iron Lady"**

Japan is having a week worthy of its own Netflix series. The country is on the brink of a political transformation as Sanae Takaichi, a hardline nationalist and self-proclaimed Iron Maiden fan, is set to become Japan's first female prime minister. Her victory in the ruling Liberal Democratic Party's leadership race has sent shockwaves through Tokyo's political and financial circles.

Takaichi, who models herself on Margaret Thatcher and was a close ally of the late Shinzo Abe, is expected to revive the spirit of "Abenomics": think big government spending, aggressive stimulus, and a hawkish foreign policy. She's already declared "Japan is back!" which sounds great unless you're a bond investor.

Markets reacted with a mix of excitement and anxiety. The yen plunged to a record low against the euro, and long-term Japanese government bond yields spiked, with the 40-year yield jumping 17 basis points to 3.55%. Traders are bracing for a flood of new debt to fund her ambitious plans, while exporters and defence contractors popped champagne as their stocks surged.

## **What are the key data releases next week?**

With the US Government shutdown continuing there is some

uncertainty on exactly which data points will be released next week!

In normal times all eyes would be drawn to the release of US Consumer Price Inflation (CPI). CPI tells us how much prices are rising for everyday items like food, fuel, and rent. The Federal Reserve watches this closely to decide whether to raise or lower interest rates. The Government shutdown means that there is very little chance of this data being delivered on time (scheduled for the 15th October), although rumours have been circulating that the Bureau of Labor Statistics had recalled staff in the shutdown to prepare the September CPI release, so it's possible we receive this data by the end of the month.

The NFIB Small Business Optimism Survey release shouldn't be impacted by the US Government shutdown. Think of this as a mood check for America's small businesses. The NFIB survey asks thousands of small business owners how they feel about things like hiring, sales, and the economy. If they're feeling upbeat, it's usually a good sign for future growth. But lately, optimism has been wobbling. With high interest rates and political uncertainty (hello, government shutdown), many small firms are cautious. Next week's results will show whether Main Street is bouncing back, or still bracing for impact.

The British Retail Consortium (BRC) Sales Monitor tracks how much people are spending in shops across the UK. It's a good way to see if consumers are feeling confident or tightening their belts. With rising mortgage costs and energy bills, retail sales have been under pressure. If the BRC data shows a pickup, it could mean households are adjusting and spending again. If sales are weak, it might signal more trouble for the high street.

The UK Unemployment Rate tells us how many people are out of work. A falling unemployment rate usually means the economy is doing well. But recent signs suggest the job market is cooling. Hiring slowed in September, and pay growth has stalled. Next week's update will show whether the UK labour market is

stabilising or slipping further.

The European Commission ZEW Survey Expectations is a quirky but useful survey that asks European economists and analysts how they expect the economy to perform in the near future. If expectations are rising, it suggests confidence in recovery. If they're falling, it could mean storm clouds ahead, especially with political tensions and energy concerns still lingering.

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